Avent Engineering Limited
Financial statements
For the year ended 31 October 2006

Company No. 1895378

Company information

Company registration number : 1895378

Registered office :
Bath Road Industrial Estate
Chippenham
Wiltshire
SN14 0AB

Directors :
M K Monaghan
J K Cronin
P V Carolan
J F Bateson
M Huynh

Secretary :
J K Cronin

Principal bankers :
Allied Irish Bank (GB)
St James' Palace
Charlotte Street
Manchester
M1 4DZ

Solicitors :
TLT Solicitors LLP
1 Redcliffe Street
Bristol
BS1 6TP

Auditors :
Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

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Chief executive's statement

Business Review

Highlights of the year

- Turnover up 29% to £35.5m (£27.4m).
- Extended Customer base and Geographical Coverage
- Established client diversity in both gas and electricity markets
- Extended geographic coverage to South and Midlands
- Gross Margin declined to 8.1% (10.4%)
- Stable cash flow from operations
- Long term lease of Bath Rd property acquired
- Achieved OHSAS 18001

Safety

We have built upon the sound base established in 2006 with accreditation to OHSAS 18001 whilst delivering safety performance results that have been benchmarked by RoSPA & CHaSPI and recognised by achieving the RoSPA Gold Award again in 2006.

In 2007 we will build further with a focus on Safety Coaching to imbed behavioural change and by committing to have our line managers NEBOSH qualified in Safety Management.

We have extended our Gas Industry Registration to cover Design in 2006.

Turnover

The seeds for this years growth were laid last year when we won the Western Power Distribution contract including two new regions. This year we have focused on consolidating that success, continuing to carefully grow our new niche markets Connections and Telecoms and ensuring that our performance on the Wales and West Utilities contract is such that we will be in a strong position to secure and grow that in 2007.

Electricity

It has been a difficult period. During the year we have consistently maintained or exceeded our customer' key service criteria but the expansion into two regions has been difficult and the contract has under performed at margin level as a result.

Looking ahead we see growth next year coming from adjacent regions and are increasing our presence in the Midlands.

Gas

This year has been about delivering on our customers expectation. The contract is being tendered with a view to award as an Alliance. At the end of October we had exceeded the clients completion targets and during the period we have strengthened the management team further so as to be in the best possible position for the 2007 contest.

Connections
Has grown two fold and now represents 8% of turnover (3.6%). We have extended our customer base and have now reached a critical mass level. The market is very attractive with excellent opportunities in Connections, Infill and Metering.

Telecoms

Turnover doubled in the year and now represents 3% of the total (2%). Margins are steady. It is not obvious as yet what the outlook is for next year and the over arching BT Regional contract is under review. Nevertheless we are very pleased with progress thus far.

Projects

Projects did not grow in the period but has remained stable and profitable. During the year in addition to our traditional Water market, we completed several projects in the Defence sector. Looking ahead we see this sector as very attractive with a number of opportunities to pursue.

Profit

Gross profit declined to 8.1% (10.4%). The two areas of under performance were in Electric where we struggled initially to consolidate both new regions and margins did not stabilise until the back end of the year and Gas: where we determined to break with tradition and change the completion profile of the mains replacement programme to de-risk the back end and optimise the Summer working period. This we achieved but margins fell as a result. Elsewhere margins were stable. Overheads fell to 7% (8.2%) and during the final quarter we concluded a restructuring which will see us stabilise at 6% next year.

Funding

We concluded a £580k mortgage facility and completed the acquisition of the long term lease of our facility in Chippenham. We further increased our funding facility to a committed £2m overdraft and £0.5m bonding line (£2m combined).

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 October 2006.

Principal activity
The company's principal activity was that of civil engineering.

Results and dividends
The profit for the year after taxation amounted to £169,699 (2005 : £485,802). The directors do not recommend the payment of a dividend (2005 : £Nil) leaving the amount of £169,699 (2005 : £485,802) to be transferred to reserves.

Directors
The directors of the company are listed below. All served on the Board throughout the year unless otherwise stated.

D Brown (resigned 30 January 2007)
M K Monaghan
J K Cronin
P V Carolan
J F Bateson
C Carolan (resigned 31 March 2006)
P Reynolds (resigned 26 February 2007)
M Huynh (appointed 26 February 2007)

Financial risk management objectives and policies
The company uses financial instruments, these include a bank loan and overdraft, cash and various items, such as trade debtors, amounts recoverable on contracts and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

- *Liquidity risk* – The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved by an overdraft facility.

- *Interest rate risk* – The company finances its operations through a mixture of retained profits, bank loans and a bank overdraft. The interest rate exposure of the financial assets and liabilities of the company as at 31 October 2006 is shown below. The table includes trade debtors, amounts recoverable on contracts and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

		Interest rate	
	Floating	Zero	Total
	£	£	£
Financial assets			
Cash	326,166	-	326,166
Trade debtors	-	2,320,680	2,320,680
Amounts recoverable on contracts		3,725,410	3,725,410
	326,166	6,046,090	6,372,256
Financial liabilities			
Bank loans and overdrafts	1,434,118	-	1,434,118
Trade creditors	-	2,929,254	2,929,254
	1,434,118	2,929,254	4,363,372

Credit risk
The company's principal financial assets are cash deposits, cash and trade debtors. The credit risk associated with cash is limited. The directors do not consider there to be any material credit risk, as given the nature of the business, cash is received on completion of each project.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware :

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Employee involvement
The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled persons
The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Political and charitable contributions
The company made no political contributions during the year. Donations to UK charities amounted to £749 (2005 : £4,435).

Auditors
Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

J K Cronin
Director

8 May 2007

Grant Thornton

Report of the independent auditors to the members of Avent Engineering Limited

We have audited the financial statements of Avent Engineering Limited for the year ended 31 October 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 20. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Grant Thornton

Report of the independent auditors to the members of Avent Engineering Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 October 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

8 May 2007

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the company are set out below and have remained unchanged from the previous year with the exception of the adoption of Financial Reporting Standard No.21 (Events after the Balance Sheet Date), the presentation requirements of Financial Reporting Standard No.25 (Financial Instruments : Disclosure and Presentation) and Financial Reporting Standard No.28 (Corresponding Amounts). There has been no impact on the company on the adoption of these new standards.

The directors have reviewed the accounting policies in accordance with FRS 18 "Accounting Policies" and have concluded that no further changes were required from the previous year.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers and the value of work done during the year.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Leasehold, land and buildings	Over the period of the lease
Plant and machinery	1 - 4 years straight line
Equipment	1 - 4 years straight line
Motor vehicles	3 - 4 years straight line

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts, including finance costs, are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in current assets and are stated at cost plus attributable profit, less any foreseeable losses, less payments received on account.

Subcontractor costs
Subcontractor costs in respect of work done on contracts are included in these financial statements on an accruals basis

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency
Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Contributions to pension schemes
Defined contribution schemes
The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year

Leased assets
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Profit and loss account

	Note	2006 £	2005 £
Turnover - continuing activities	1	**35,475,176**	27,411,781
Cost of sales		(32,584,195)	(24,558,512)
Gross profit		**2,890,981**	2,853,269
Administrative expenses		(2,479,494)	(2,238,489)
Operating profit - continuing activities		**411,487**	614,780
Interest receivable and similar income		-	12,617
Interest payable and similar charges	3	(119,640)	(70,595)
Profit on ordinary activities before taxation	1	**291,847**	556,802
Tax on profit on ordinary activities	4	**(122,148)**	(71,000)
Profit retained and transferred to reserves	12	169,699	485,802

There were no recognised gains or losses other than the result for the financial year

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	1,267,937	556,622
Current assets			
Stocks	6	211,521	182,077
Debtors	7	6,874,203	6,883,203
Cash at bank and in hand		326,166	181,291
		7,411,890	7,246,571
Creditors: amounts falling due within one year	8	(7,073,622)	(6,240,991)
Net current assets		338,268	1,005,580
Total assets less current liabilities		1,606,205	1,562,202
Provisions for liabilities	9	(424,106)	(549,802)
Net assets		1,182,099	1,012,400
Capital and reserves			
Called up share capital	11	600,000	600,000
Profit and loss account	12	582,099	412,400
Shareholders' funds	13	1,182,099	1,012,400

The financial statements were approved by the Board of Directors on 8 May 2007 and signed on their behalf by :

J K Cronin Director

Cash flow statement

	Note	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	14	306,301	(333,667)
Returns on investments and servicing of finance			
Interest received		-	12,617
Interest paid		(119,640)	(70,161)
Interest element of hire purchase contracts		-	(434)
Net cash outflow from returns on investments and servicing of finance		(119,640)	(57,978)
Taxation		(100,908)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,108,953)	(410,948)
Sale of tangible fixed assets		69,086	49,800
Net cash outflow from capital expenditure and financial investment		(1,039,867)	(361,148)
Cash outflow before financing		(954,114)	(752,793)
Financing			
Receipt/(repayment) of loan	16	1,011,600	(542,000)
Capital element of finance lease rentals		-	(25,084)
Net cash inflow/(outflow) from financing		1,011,600	(567,084)
Increase/(decrease) in cash	15	57,486	(1,319,877)

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the principal activity of the company and arises wholly within the United Kingdom

The profit on ordinary activities before taxation is stated after :	2006 £	2005 £
Depreciation		
- owned	364,051	248,670
Profit on disposal of fixed assets	(35,499)	(30,166)
Operating lease payments	179,163	206,766
Auditors' remuneration		
- audit services	20,000	20,000

2 Directors and employees

Staff costs during the year were as follows :	2006 £	2005 £
Wages and salaries	13,382,514	10,591,486
Social security costs	1,368,527	1,074,972
Pension costs	124,119	92,753
	14,875,160	11,759,211

	2006 Number	2005 Number
The average number of employees during the year was :	489	406

Staff costs include remuneration in respect of directors as follows :

	2006 £	2005 £
Emoluments	584,854	339,699
Pension contributions to money purchase pension schemes	14,711	7,086
	599,565	346,785

During the year 4 directors (2005 : 3) participated in money purchase pension schemes The amounts set out above include remuneration in respect of the highest paid director as follows

	2006 £	2005 £
Emoluments and benefits in kind	126,847	106,462
Pension contributions	-	3,000
	126,847	109,462

3 Interest payable and similar charges

	2006 £	2005 £
On bank loans and overdrafts	75,229	25,113
Hire purchase interest	-	434
Interest payable to group undertakings	44,411	45,048
	119,640	70,595

4 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents	2006 £	2005 £
Current tax:		
UK corporation tax on profit for the year	162,218	103,000
Adjustment in respect of prior years	(12,070)	-
	150,148	103,000
Deferred tax:		
Origination and reversal of timing differences	(28,000)	(32,000)
	122,148	71,000

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2005 : 19%) The differences are explained as follows .

	2006 £	2005 £
Profit on ordinary activities before taxation	291,847	556,802
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005 : 19%)	87,554	167,041
Effect of:		
Expenses not deductible for tax purposes	39,087	21,920
Depreciation in excess of capital allowances	35,809	7,854
Other short term timing differences	(232)	(1,290)
Trade losses utilised	(12,070)	(92,525)
	150,148	103,000

5 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 November 2005	33,030	647,829	269,999	332,343	1,283,201
Additions	851,001	150,816	-	107,136	1,108,953
Disposals	(15,000)	(16,250)	(247,087)	-	(278,337)
At 31 October 2006	869,031	782,395	22,912	439,479	2,113,817
Depreciation					
At 1 November 2005	236	282,700	221,900	221,743	726,579
Provided in the year	28,255	220,729	25,207	89,860	364,051
Disposals	(4,998)	(14,810)	(224,942)	-	(244,750)
At 31 October 2006	23,493	488,619	22,165	311,603	845,880
Net book amount					
At 31 October 2006	845,538	293,776	747	127,876	1,267,937
At 31 October 2005	32,794	365,129	48,099	110,600	556,622

6 Stocks

	2006 £	2005 £
Plant and consumables	211,521	182,077

7 Debtors

	2006 £	2005 £
Trade debtors	2,320,680	2,432,258
Amounts recoverable on contracts	3,725,410	3,772,255
Other debtors	-	27,132
Amounts owed by group undertakings	500,000	500,000
Prepayments and accrued income	268,113	119,558
Deferred tax asset (note 10)	60,000	32,000
	6,874,203	6,883,203

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of any deferred tax liability. The directors believe there will be suitable profits arising in the future

8 Creditors : amounts falling due within one year

	2006 £	2005 £
Bank loans and overdraft	**1,434,118**	781,129
Trade creditors	**2,929,254**	3,290,860
Amounts owed to group undertakings	**1,200,587**	741,580
Corporation tax	**156,575**	103,000
Other taxation and social security	**916,600**	731,274
Accruals and deferred income	**436,488**	593,148
	7,073,622	6,240,991

The bank overdraft amounting to £868,518 (2005 : £781,129) and loan balance of £565,600 (2005: £Nil) is secured by a fixed and floating charge over all the assets of the company. The overdraft carries an interest rate of 2% above bank base rate.

At the year end the unutilised facility amounted to £1,131,482

9 Provisions for liabilities

	Other £	Reinstatement £	Total £
At 1 November 2005	241,883	307,919	549,802
(Released)/charged to profit and loss account	(141,975)	16,279	(125,696)
At 31 October 2006	99,908	324,198	424,106

10 Deferred taxation

A deferred tax asset of £60,000 (2005 : £32,000) has been recognised in the financial statements The directors believe that this asset will be recoverable to the extent that suitable profits arise in the future.

	2006 £	2005 £
Accelerated capital allowances	58,000	23,000
Other timing differences	2,000	9,000
	60,000	32,000

11 Share capital

	2006	2005
	£	£
Authorised, allotted, called up and fully paid		
600,000 Ordinary shares of £1 each	600,000	600,000

12 Profit and loss account

	£
At 1 November 2005	412,400
Profit for the year	169,699
At 31 October 2006	582,099

13 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	169,699	485,802
Opening shareholders' funds	1,012,400	526,598
Closing shareholders' funds	1,182,099	1,012,400

14 Net cash inflow/(outflow) from operating activities

	2006	2005
	£	£
Operating profit	411,487	614,780
Depreciation	364,051	248,670
Profit on sale of fixed assets	(35,499)	(30,166)
Increase in stocks	(29,444)	(47,650)
Decrease/(increase) in debtors	37,000	(2,072,644)
(Decrease)/increase in creditors	(315,598)	1,259,512
Decrease in provisions	(125,696)	(306,169)
Net cash inflow/(outflow) from operating activities	306,301	(333,667)

15 Reconciliation of net cash flow to movement in net debt

	2006	2005
	£	£
Increase/(decrease) in cash in the year	57,486	(1,319,877)
Cash (inflow)/outflow from financing	(1,011,600)	567,084
Movement in net debt	(954,114)	(752,793)
Net debt at 1 November 2005	(1,092,048)	(339,255)
Net debt at 31 October 2006	(2,046,162)	(1,092,048)

16 Analysis of changes in net debt

	At 31 October 2005	Cashflow	At 31 October 2006
	£	£	£
Cash in hand and at bank	181,291	144,875	326,166
Overdraft	(781,129)	(87,389)	(868,518)
	(599,838)	57,486	(542,352)
Bank loan debt	-	(565,600)	(565,600)
Inter company debt	(492,210)	(446,000)	(938,210)
	(1,092,048)	(954,114)	(2,046,162)

17 Contingent liability

In the normal course of business the company has entered into performance bonds for the sum of £507,500 (2005 £248,780).

18 Operating lease commitments

At 31 October 2006, the company had annual commitments under non-cancellable operating leases as follows :

	Land and buildings		Motor vehicles	
	2006	2005	2006	2005
Operating leases which expire:	£	£	£	£
Within one year	37,642	40,136	-	-
In the second to fifth year inclusive	67,660	35,718	215,178	151,417
After more than five years	141,710	214,710	-	-
	247,012	290,564	215,178	151,417

19 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions

20 Ultimate parent undertaking

The company is a wholly owned subsidiary of Avent Newco Limited (formerly Avent UK Limited). The directors consider that the ultimate parent undertaking of this company is Vincento Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by Vincento Limited. Copies of the group accounts can be obtained from companies House.